

Preview of the Week Ahead

The Fed will ease the federal funds target rate by a quarter percent to a range of 3.75% to 4.00% at their meeting Wednesday, after last Friday's release of the September Consumer Price Index report (CPI) contained little to dissuade them from a cut. Pending home sales likely rose slower in September following August's large increase. Consumer confidence probably changed little in October, while households' inflation expectations are anticipated to have remained elevated.

The Week in Review

The CPI rose by 0.3% in September, while core CPI, which excludes volatile food and energy prices, increased by 0.2%. As a result, headline and core CPI were both 3.0% higher from a year earlier. Gasoline prices, up 4.1% last month, were the single biggest driver of inflation. American households were reported to have seen large monthly declines in electricity and utility (piped) gas costs. Food prices moderated after a large increase in the prior month. Beef prices rose sharply again and are up nearly 15% from a year earlier. Prices of goods that are largely imported were mixed: Apparel prices jumped, while medical care commodity prices eased. On the services side, shelter inflation moderated after a significant increase in August. Prices of "Supercore" services excluding shelter and energy services, however, posted a big monthly increase and were up 3.2% from a year earlier. Services such as motor vehicle maintenance and servicing, airline transportation, and personal care (haircuts etc.) contributed to September's increase.

Matching the consensus estimate, existing home sales rebounded by 1.5% in September to an annualized rate of 4.060 million units and were 4.1% higher from a year earlier. On an unadjusted basis, they declined for the third consecutive month. About a third of homes sold in September were all-cash transactions and the majority were at the highest price ranges. The number of homes listed for sale, at 1.550 million units, was 14.0% higher from a year ago, equivalent to 4.6 months of supply at last month's pace of sales. The median price of a home sold rose by 2.1% from a year earlier to \$415,200.

U.S. business activity accelerated in October to the second-fastest pace in the year to date, according to S&P Global's flash release of the month's PMI surveys. Overall activity was boosted by the largest increase in new orders so far this year, with new work up markedly for service providers. Businesses modestly increased headcount. Input costs for manufacturers remained "especially high," while service providers reported "registering one of the steepest increases seen over the past two years." Despite facing heavy cost pressures, businesses passed on costs to consumers at the slowest rate in six months, attributing their pricing decisions to subdued demand and fierce competition.

Consumer sentiment was little changed in October. Nearly a month into the federal government shutdown, only a handful of survey respondents mentioned the shutdown as an economic concern. Instead, they once again reported high inflation as their top issue. This was reflected in elevated year-ahead and long-term inflation expectations, with the former at 4.6% and the latter at 3.9%.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 27-Oct	Durable Goods Orders (Sep - Preliminary)*	2.9% M/M	0.3% M/M	0.1% M/M
	Nondefense Capital Goods Orders Ex. Aircraft (Sep - Preliminary)*	0.6% M/M	-	-0.1% M/M
	Dallas Fed Manufacturing Activity (Oct)	-8.7	-	-5.0
Tue 28-Oct	FHFA House Price Index ("HPI", Aug)	-0.1% 2.3% Y/Y	-	-0.1% 1.7% Y/Y
	S&P Cotality 20-City Case-Shiller HPI (Aug)	-0.1% M/M 1.8% Y/Y	- -	-0.1% M/M 1.2% Y/Y
	Conference Board Consumer Confidence (Oct)	94.2	93.8	93.0
Wed 29-Oct	Goods Trade Balance (Sep Advance Release)*	-\$85.5 billion	-\$90.0 billion	-\$82.0 billion
	Pending Home Sales (Sep)	4.0% M/M	-	0.4% M/M
	Federal Reserve Interest Rate Decision	4.00% - 4.25%	3.75% - 4.00%	3.75% - 4.00%
Thu 30-Oct	Initial Jobless Claims (Week of 10/25)*	-	-	235,000
	Continuing Jobless Claims (Week of 10/18)*	-	-	1,945,000
	Real GDP (3rd Quarter Advance Estimate, Seasonally Adjusted Annualized Rate/SAAR)*	3.8%	3.0%	2.4%
	GDP Price Index (3rd Quarter Advance Estimate, SAAR)*	2.1%	-	2.5%

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Fri 31-Oct	Personal Income (Sep)*	0.4% M/M	0.4% M/M	0.2% M/M
	Personal Spending (Sep)*	0.6% M/M	0.4% M/M	0.4% M/M
	Personal Consumption Expenditures Price Index ("PCE", Sep)*	0.3% M/M	-	0.3% M/M
		2.7% Y/Y	-	2.8% Y/Y
	Core PCE Price Index Excl. Food and Energy (Sep)*	0.2% M/M	0.2% M/M	0.3% M/M
		2.9% Y/Y	-	2.9% Y/Y

Note: Releases marked * may be delayed by the federal government shutdown.

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■ Bill Adams ■ Waran Bhahirethan

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